

**SENATE
STATE OF MINNESOTA
NINETIETH SESSION**

S.F. No. 2063

(SENATE AUTHORS: DZIEDZIC)

DATE
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OFFICIAL STATUS
Introduction and first reading
Referred to Jobs and Economic Growth Finance and Policy

1.1 A bill for an act
1.2 relating to economic development; capital improvements; creating a state research
1.3 and development authority; establishing a research and development fund;
1.4 authorizing the sale and issuance of state bonds; requiring reports; appropriating
1.5 money; proposing coding for new law in Minnesota Statutes, chapter 116W.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 **ARTICLE 1**

1.8 **RESEARCH AND DEVELOPMENT AUTHORITY**

1.9 Section 1. **[116W.35] MINNESOTA RESEARCH AND DEVELOPMENT**
1.10 **AUTHORITY ACT.**

1.11 Sections 116W.35 to 116W.58 may be cited as the "Minnesota Research and Development
1.12 Authority Act."

1.13 Sec. 2. **[116W.36] DEFINITIONS.**

1.14 Subdivision 1. **Applicability.** For the purposes of this chapter, the terms in this section
1.15 have the meanings given them.

1.16 Subd. 2. **Advisory commission.** "Advisory commission" means the advisory commission
1.17 under section 116W.41.

1.18 Subd. 3. **Authority.** "Authority" means the Minnesota Research and Development
1.19 Authority under section 116W.37.

1.20 Subd. 4. **Eligible recipient.** "Eligible recipient" means an entity primarily operating to
1.21 create and retain jobs in key sectors of the state's industrial base and maximize the economic
1.22 growth of the state through enhancement of Minnesota's:

2.1 (1) research and development capabilities;

2.2 (2) product and process innovation and commercialization;

2.3 (3) manufacturing capabilities; or

2.4 (4) workforce training and preparation.

2.5 Subd. 5. **Key sectors.** "Key sectors" means:

2.6 (1) health and life sciences;

2.7 (2) food science and technology;

2.8 (3) water, natural resources, and environmental science and technology;

2.9 (4) advanced manufacturing and technology;

2.10 (5) energy technology and production;

2.11 (6) computer science and information technology; and

2.12 (7) financial services.

2.13 The authority must periodically reassess whether the list of key sectors under this subdivision
 2.14 should be modified and shall make recommendations to the legislature regarding proposed
 2.15 modifications.

2.16 Sec. 3. **[116W.37] MINNESOTA RESEARCH AND DEVELOPMENT AUTHORITY.**

2.17 Subdivision 1. **Membership.** The Minnesota Research and Development Authority
 2.18 consists of the commissioner of employment and economic development, the commissioner
 2.19 of management and budget, the commissioner of revenue, the commissioner of commerce,
 2.20 the commissioner of agriculture, the president of the University of Minnesota, and the
 2.21 chancellor of the Minnesota State Colleges and Universities system.

2.22 Subd. 2. **Chair; other officers.** The commissioner of employment and economic
 2.23 development shall serve as the chair and chief executive officer of the authority. The authority
 2.24 shall rotate the position of vice-chair annually among its members. The commissioner of
 2.25 employment and economic development shall convene the first meeting of the authority no
 2.26 later than July 30, 2017. In the absence of the chair or vice-chair at meetings of the authority,
 2.27 members may elect a chair for the meeting and may elect other officers as necessary from
 2.28 its members.

2.29 Subd. 3. **Delegation.** In addition to any powers to delegate that members of the authority
 2.30 have as commissioners, the commissioners may delegate to the chair, vice-chair, or executive

3.1 director their responsibilities as members of the authority for reviewing and approving
3.2 financing of eligible projects, projects that have been authorized by law, or programs
3.3 specifically authorized by resolution of the authority.

3.4 Subd. 4. **Actions.** (a) A majority of the authority, excluding vacancies, constitutes a
3.5 quorum to conduct its business, to exercise its powers, and for all other purposes.

3.6 (b) The authority may conduct its business by any technological means available that
3.7 allows for an interaction between members. If a meeting is conducted under this paragraph,
3.8 a specific location must be available for the public to attend the meeting and at least one
3.9 member must be present at that location.

3.10 Subd. 5. **Executive director; staffing.** The authority shall employ an executive director
3.11 in the unclassified service. The executive director is responsible for hiring staff necessary
3.12 to assist the executive director to carry out the duties and responsibilities of the authority.
3.13 The executive director shall perform duties required by the authority in carrying out its
3.14 responsibilities to manage and implement the funds and programs in sections 116W.35 to
3.15 116W.58, and comply with all state and federal program requirements, and state and federal
3.16 securities and tax laws and regulations. The executive director shall assist the advisory board
3.17 in fulfilling its duties under sections 116.35 to 116W.58.

3.18 Subd. 6. **Administrative services.** The authority shall enter into agreements for
3.19 administrative and professional services and technical support.

3.20 Subd. 7. **Expiration.** This section expires June 30, 2027.

3.21 **Sec. 4. [116W.38] INFORMATION TECHNOLOGY.**

3.22 To the extent the projects or grants approved by the authority or other work of the
3.23 authority impact state information systems, these information systems are subject to the
3.24 jurisdiction of the Office of MN.IT Services under chapter 16E.

3.25 **Sec. 5. [116W.39] POWERS AND DUTIES.**

3.26 Subdivision 1. **Duties.** The Minnesota Research and Development Authority shall design,
3.27 coordinate, and administer a strategic research and development enhancement and investment
3.28 program to maximize the economic growth of the state and create and retain jobs in key
3.29 sectors of the state's economic and industrial base through development of the state's research
3.30 and development capabilities including, but not limited to, investment in physical plant,
3.31 laboratories, and other infrastructure; increased translational research activities; product

4.1 and process innovation and commercialization; expanded manufacturing capabilities; and
4.2 workforce training and preparation. The authority must:

4.3 (1) coordinate public and private efforts to procure federal funding for collaborative
4.4 research and development projects of primary benefit to small- and medium-sized businesses;

4.5 (2) promote contractual relationships between Minnesota businesses that are recipients
4.6 of federal grants and prime contractors and Minnesota-based subcontractors;

4.7 (3) work with Minnesota nonprofit institutions including the University of Minnesota,
4.8 Minnesota State Colleges and Universities, the Hormel Institute, and the Mayo Clinic in
4.9 promoting collaborative efforts to respond to federal funding opportunities;

4.10 (4) develop a framework for Minnesota companies to establish sole-source relationships
4.11 with federal agencies;

4.12 (5) provide grants or other forms of financial assistance to eligible recipients for purposes
4.13 of this chapter;

4.14 (6) coordinate assistance with business proposals, licensing, intellectual property
4.15 protection, commercialization, and government auditing with the University of Minnesota
4.16 and Minnesota State Colleges and Universities; and

4.17 (7) develop and implement a comprehensive research and development enhancement
4.18 and investment strategy for the state.

4.19 Subd. 2. **Technology matchmaking.** The authority must assist businesses in identifying
4.20 qualified suppliers and vendors through a program to serve as a conduit for Minnesota-based
4.21 companies to network with firms able to support their success. Firms outside Minnesota
4.22 can participate in the technology matchmaking network if one of the participating companies
4.23 is located in Minnesota.

4.24 Subd. 3. **Commercialization assistance.** The authority must provide commercialization
4.25 assistance to Minnesota firms that have received a Phase I Small Business Innovation
4.26 Research (SBIR) award or a Phase I Small Business Technology Transfer (STTR) award
4.27 and are submitting a Phase II proposal. Local service providers must assist the applicant
4.28 with developing and reviewing the required commercialization plan prior to Phase II
4.29 submission. The authority may provide SBIR Phase I proposal technical review.

4.30 Subd. 4. **Entrepreneurship incubator laboratories.** (a) The authority shall establish
4.31 at least three entrepreneurship incubator laboratories in Minnesota. An entrepreneurship
4.32 incubator laboratory is an organization designed to accelerate the growth and success of
4.33 new businesses and business ideas in key sectors through an array of business support

5.1 resources and services that include physical space, laboratory and other scientific equipment,
5.2 capital, coaching, common services, and a location and process for networking.

5.3 (b) The authority must work with private sector entities in establishing the
5.4 entrepreneurship incubator laboratories. The authority may expend money on the
5.5 entrepreneurship incubator laboratory only to the extent that a 100 percent match from a
5.6 nonpublic source is provided. Entities providing the nonpublic source match for an
5.7 entrepreneurship incubator laboratory shall become members of the advisory board for that
5.8 laboratory. The authority, the state of Minnesota, and private entities working in conjunction
5.9 with the state shall not require any proprietary interest in businesses or business ideas
5.10 generated within the entrepreneurship incubator laboratory as a condition of receiving
5.11 services.

5.12 (c) The authority, in consultation with the advisory board for each entrepreneurship
5.13 incubator laboratory, shall establish public criteria for applications to gain access to the
5.14 services of each entrepreneurship incubator laboratory.

5.15 (d) At least one entrepreneurship incubator laboratory shall be located in the 11-county
5.16 metropolitan area, as defined in section 200.02, subdivision 24, and at least two of the
5.17 incubator laboratories shall be located outside the 11-county metropolitan area. The authority
5.18 may work with existing entities who provide similar services to expand or support those
5.19 entities to meet the requirements of this section.

5.20 Subd. 5. **Power to sue; enter contracts.** The authority may sue and be sued. The authority
5.21 may make and enter into contracts, leases, and agreements necessary to perform its duties
5.22 and exercise its powers.

5.23 Subd. 6. **Gifts; grants.** The authority may apply for, accept, and disburse gifts, grants,
5.24 loans, or other property from the United States, the state, private sources, or any other source
5.25 for any of its purposes. Money received by the authority under this subdivision must be
5.26 deposited in the Minnesota research and development fund under section 116W.55, and is
5.27 appropriated to the authority to carry out its duties.

5.28 Subd. 7. **Contract for services.** The authority may retain or contract for the services of
5.29 accountants, financial advisors, and other consultants or agents needed to perform its duties
5.30 and exercise its powers.

5.31 Subd. 8. **Fees.** The authority may establish and collect fees, subject to legislative approval,
5.32 for costs incurred by the authority, the Department of Employment and Economic
5.33 Development, the Department of Management and Budget, the Department of Revenue,

6.1 the Department of Commerce, the Department of Labor and Industry, and the Department
 6.2 of Agriculture, including costs for personnel, professional, and administrative services.

6.3 Subd. 9. **Reports.** (a) The authority shall report by February 1 each year to the chairs
 6.4 and ranking minority members of the legislative committees and divisions with jurisdiction
 6.5 over finance and economic development on its progress to design, coordinate, and administer
 6.6 a strategic research and development enhancement and investment program for the state to
 6.7 promote the welfare of the people of the state, maximize the economic growth of the state,
 6.8 and create and retain jobs in key sectors of the state's economic and industrial base through
 6.9 enhancement of Minnesota's:

6.10 (1) research and development capabilities;

6.11 (2) product and process innovation and commercialization;

6.12 (3) expanded manufacturing capabilities; and

6.13 (4) workforce training and preparation.

6.14 (b) The report must include a complete operating and financial statement covering the
 6.15 authority's operations during the year, including amounts of income from all sources. Books
 6.16 and records of the authority are subject to audit by the legislative auditor in the manner
 6.17 prescribed for state agencies.

6.18 Subd. 10. **Consultative and technical services.** The authority may provide general
 6.19 consultative and technical services to assist eligible projects and enter into agreements or
 6.20 other transactions concerning the receipt or provision of those services.

6.21 Subd. 11. **Financial information.** Financial information, including credit reports,
 6.22 financial statements, and net worth calculations, received or prepared by the authority
 6.23 regarding financial assistance, is private data on individuals as defined in section 13.02,
 6.24 subdivision 12, and nonpublic data on individuals as defined in section 13.02, subdivision
 6.25 9.

6.26 Subd. 12. **General.** The authority shall have all powers necessary and appropriate to
 6.27 fulfill its responsibilities under this chapter.

6.28 Sec. 6. **[116W.40] PROJECT FINANCIAL ASSISTANCE.**

6.29 Subdivision 1. **Determination of financial assistance.** The authority shall assist eligible
 6.30 recipients in identifying grants or other sources of financial assistance available to finance
 6.31 projects and may assist eligible recipients in applying for and obtaining grants and other
 6.32 forms of assistance.

7.1 Subd. 2. **Financial feasibility review.** (a) The authority shall review the proposed
7.2 financing for each project submitted to the authority to determine whether: (1) the proposed
7.3 project and financing plan is an eligible use of the money; and (2) the proposal is in
7.4 compliance with applicable state and federal tax and securities laws and regulations. Grants
7.5 in excess of \$50,000 must be approved by the authority. Grants of \$50,000 or less may be
7.6 authorized by the executive director. All grant approvals or disapprovals must be completed
7.7 within 30 days of submission to the authority. Grants approved by the executive director
7.8 must be reviewed by the authority each month.

7.9 (b) Unless a project is specifically authorized by law, the authority may reject the
7.10 proposed financing for a project meeting the requirements in paragraph (a), if there are not
7.11 sufficient funds available or if a majority of members believe the financing of the project
7.12 would not be in the best interests of the state or would be detrimental to the authority's funds
7.13 or programs. A determination to reject a proposed project must not be made in an arbitrary
7.14 and capricious manner and must be supported by substantive evidence and documented by
7.15 a resolution of the authority stating its findings.

7.16 **Sec. 7. [116W.41] ADVISORY COMMISSION.**

7.17 Subdivision 1. **Advisory commission membership.** (a) A Research and Development
7.18 Initiative Advisory Commission is established and is comprised of:

7.19 (1) two representatives of the University of Minnesota, selected by the vice president
7.20 of research of the university, including a faculty member actively involved in research and
7.21 development;

7.22 (2) two representatives of the Minnesota State Colleges and Universities, selected by
7.23 the chancellor, including a faculty member actively involved in research and development;

7.24 (3) the chief executive officer of Mayo Clinic or a designee;

7.25 (4) the president or a designee of the Minnesota High Tech Association or its successor
7.26 organization;

7.27 (5) the executive director of the Hormel Institute or a designee;

7.28 (6) the president or a designee of the Medical Alley Association;

7.29 (7) the executive director of the Agricultural Utilization Research Institute or a designee;

7.30 (8) six chief executive officers or designees from research-oriented or technology-oriented
7.31 companies;

7.32 (9) four representatives from research-oriented or technology-oriented organizations;

8.1 (10) two representatives of organized labor;

8.2 (11) a venture capital representative;

8.3 (12) a representative of angel investors; and

8.4 (13) other members deemed appropriate by the authority in consultation with the
8.5 governor.

8.6 (b) A member must have experience in research and development in order to serve on
8.7 the commission.

8.8 (c) Members of the commission listed in clauses (6) to (11) shall be appointed by the
8.9 authority.

8.10 Subd. 2. **Advisory commission duties.** The advisory commission must assist the authority
8.11 in developing a comprehensive research and development enhancement and investment
8.12 plan to be presented to the chairs and ranking minority members of the legislative committees
8.13 and divisions with jurisdiction over economic development and higher education by January
8.14 15, 2018. The plan must include recommendations in strategic areas for research and
8.15 development investments, recommendations on additional programs to support research
8.16 and development-focused economic development activities in the state, selection of specific
8.17 programs and grantees for support from program funds authorized by the advisory
8.18 commission, and ongoing assessment of the effectiveness of programmatic elements
8.19 according to metrics to be developed by the authority in consultation with the advisory
8.20 commission. The advisory commission may also advise and assist the authority in fulfilling
8.21 its duties under section 116W.39.

8.22 Subd. 3. **Membership terms; vacancies; compensation.** The membership terms,
8.23 removal of members, and filling of vacancies are as provided under section 15.059, unless
8.24 specified otherwise. The executive director may provide compensation to members if funds
8.25 are available.

8.26 Subd. 4. **Expiration.** The advisory commission expires June 30, 2027.

8.27 Subd. 5. **Convening of meetings; staffing.** The executive director of the authority must
8.28 convene the first meeting of the commission by September 1, 2017. The executive director
8.29 must provide administrative support and staff to the commission.

8.30 Sec. 8. **[116W.42] MONEY OF THE AUTHORITY.**

8.31 Subdivision 1. **Functions of commissioner of management and budget.** Except as
8.32 otherwise provided in this section, money of the authority must be paid to the commissioner

9.1 of management and budget as agent of the authority, and the commissioner shall not
 9.2 commingle the money with other money. The money in the accounts of the authority must
 9.3 be paid out only on warrants drawn by the commissioner of management and budget on
 9.4 requisition of the executive director of the authority or of another officer or employee as
 9.5 the authority authorizes. Deposits of the authority's money must, if required by the
 9.6 commissioner or the authority, be secured by obligations of the United States or of the state
 9.7 of a market value equal at all times to the amount of the deposit, and all banks and trust
 9.8 companies are authorized to give security for the deposits. All money paid to the
 9.9 commissioner as agent of the authority is appropriated to the authority. The commissioner
 9.10 must annually report to the committees of the legislature with responsibility for economic
 9.11 development and management and budget on the use of appropriations under this section.

9.12 Subd. 2. **System of accounts.** The commissioner of management and budget shall
 9.13 prescribe a system of accounts.

9.14 Sec. 9. **[116W.43] NONLIABILITY.**

9.15 Subdivision 1. **Nonliability of individuals.** No member of the authority, staff of the
 9.16 authority, or other person executing other agreements or contracts of the authority is liable
 9.17 personally or is subject to any personal liability or accountability by reason of their issuance,
 9.18 execution, delivery, or performance.

9.19 Subd. 2. **Nonliability of state.** The state is not liable on loans or other agreements or
 9.20 contracts of the authority issued or entered into under this chapter and the loans or other
 9.21 agreements or contracts of the authority are not a debt of the state. The loans or other
 9.22 agreements or contracts of the authority must contain on their face a statement to that effect.

9.23 Sec. 10. **[116W.44] STATE PLEDGE AGAINST IMPAIRMENT OF CONTRACTS.**

9.24 The state pledges and agrees with parties to any loans or other agreements or contracts
 9.25 of the authority that the state will not:

9.26 (1) limit or alter the rights vested in the authority to fulfill the terms of any agreements
 9.27 made with the parties to any loans or other agreements or contracts of the authority; or

9.28 (2) in any way impair the rights and remedies of the parties to any loans or other
 9.29 agreements or contracts of the authority.

9.30 The authority may include this pledge and agreement of the state in any agreement with the
 9.31 parties in any loans or other agreements or contracts of the authority.

10.1 Sec. 11. **[116W.45] RESERVES; FUNDS; ACCOUNTS.**

10.2 The authority may establish reserves, funds, or accounts necessary to carry out the
10.3 purposes of the authority or to comply with any agreement made by or any resolution passed
10.4 by the authority.

10.5 **ARTICLE 2**

10.6 **RESEARCH AND DEVELOPMENT PROGRAM**

10.7 Section 1. **[116W.46] CITATION.**

10.8 Sections 116W.46 to 116W.58 may be cited as the "Minnesota Research and Development
10.9 Program."

10.10 Sec. 2. **[116W.47] DEFINITIONS.**

10.11 Subdivision 1. **Applicability.** For the purposes of sections 116W.46 to 116W.58, the
10.12 terms in this section have the meanings given them.

10.13 Subd. 2. **Authority.** "Authority" means the Minnesota Research and Development
10.14 Authority established under section 116W.37.

10.15 Subd. 3. **College or university.** "College or university" means an institution of
10.16 postsecondary education, public or private, that grants undergraduate or postgraduate
10.17 academic degrees and conducts significant research or development activities within key
10.18 sectors of the state's economic and industrial base.

10.19 Subd. 4. **Commercialization.** "Commercialization" means any of the full spectrum of
10.20 activities required for a new technology, product, or process to be developed from its basic
10.21 research or conceptual stage through applied research or development to the marketplace
10.22 including, without limitation, the steps leading up to and including licensure, sales, and
10.23 services.

10.24 Subd. 5. **Commercialized research project.** "Commercialized research project" means
10.25 research conducted within a college or university, nonprofit research institution, or by a
10.26 qualified research and development company that has shown advanced commercial potential
10.27 through license agreements, patents, or other forms of invention disclosure, and by which
10.28 a qualified research and development company has been or is being currently formed.

10.29 Subd. 6. **Fund.** "Fund" means the Minnesota research and development fund under
10.30 section 116W.55.

11.1 Subd. 7. **Nonprofit research institution.** "Nonprofit research institution" means an
 11.2 entity with its principal place of business in Minnesota, that qualifies under section 501(c)
 11.3 of the Internal Revenue Code, and that conducts significant research or development activities
 11.4 in this state in key sectors of the state's economic and industrial base.

11.5 Subd. 8. **Program.** "Program" means the Minnesota research and development program.

11.6 Subd. 9. **Qualified research and development company.** "Qualified research and
 11.7 development company" means a corporation, limited liability company, S corporation,
 11.8 partnership, limited liability partnership, or sole proprietorship with fewer than 100
 11.9 employees that is engaged in research and development or the production of products,
 11.10 processes, or services for specific commercial or public purposes within key sectors of the
 11.11 state's economic and industrial base.

11.12 **Sec. 3. [116W.48] COMMERCIALIZED RESEARCH PROGRAM.**

11.13 (a) The authority may establish a commercialized research program to accelerate the
 11.14 commercialization of research and development products, processes, or services from
 11.15 colleges or universities, nonprofit research institutions, or qualified research and development
 11.16 companies that leads to an increase in business activity and jobs in key sectors of the state's
 11.17 economic and industrial base. The program must:

11.18 (1) provide research and development gap funding of up to \$500,000 per research and
 11.19 development project to assist in the commercialization and transfer of research and
 11.20 development projects from a college or university or nonprofit research institution to a
 11.21 qualified research and development company;

11.22 (2) provide funding of up to \$250,000 for early stage development for qualified research
 11.23 and development companies to conduct commercialized research projects; and

11.24 (3) provide funding of up to \$500,000 for loans to provide start-up capital to early stage
 11.25 companies in key sectors of the state's economic and industrial base.

11.26 (b) All activities under the commercialized research program require:

11.27 (1) written criteria set by the authority for the application, award, and use of the funds;

11.28 (2) matching funds by the participating qualified research and development company,
 11.29 college or university, or nonprofit research institution;

11.30 (3) that no more than 15 percent of the funds awarded by the authority may be used for
 11.31 administrative costs; and

12.1 (4) a report by the participating qualified research and development company, college
12.2 or university, or nonprofit research institution that provides documentation of the use of
12.3 funds and outcomes of the award. The report must be submitted to the authority within one
12.4 calendar year of the date of the award.

12.5 Sec. 4. **[116W.49] FEDERAL RESEARCH AND DEVELOPMENT SUPPORT**
12.6 **PROGRAM.**

12.7 (a) The authority may establish a federal research and development support program to
12.8 increase and coordinate efforts to procure federal funding for research projects of primary
12.9 benefit to qualified research and development companies, colleges or universities, and
12.10 nonprofit research institutions. The program must:

12.11 (1) develop and execute a strategy to identify specific federal agencies and programs
12.12 that support the growth of research and development in key sectors of the state's economic
12.13 and industrial base; and

12.14 (2) provide grants to qualified research and development companies:

12.15 (i) to assist in the development of federal Small Business Innovation (SBIR) or Small
12.16 Business Technology Transfer (STTR) proposals; and

12.17 (ii) to match funds received through SBIR or STTR awards. No more than \$1,500,000
12.18 may be awarded in a year for matching grants under this item.

12.19 (b) All activities under the federal research and development support program require:

12.20 (1) written criteria set by the authority for the application, award, and use of the funds;

12.21 (2) matching funds by the participating qualified research and development company,
12.22 college or university, or nonprofit research institution;

12.23 (3) that no more than 15 percent of the funds awarded by the authority may be used for
12.24 administrative costs; and

12.25 (4) a report by the participating qualified research and development company, college
12.26 or university, or nonprofit research institution that provides documentation of the use of
12.27 funds and outcomes of the award. The report must be submitted to the authority within one
12.28 calendar year of the date of the award.

13.1 Sec. 5. [116W.50] INDUSTRIAL TECHNOLOGY INNOVATION AND
13.2 COMPETITIVENESS PROGRAM.

13.3 (a) The authority may establish an industrial technology innovation and competitiveness
13.4 program to advance the technological capacity and competitiveness of existing and emerging
13.5 research and development industries. The program must:

13.6 (1) provide matching funds to programs and organizations that assist entrepreneurs in
13.7 starting and growing qualified research and development companies, including but not
13.8 limited to matching funds for mentoring programs, consulting and technical services, and
13.9 related activities;

13.10 (2) fund initiatives that retain engineering, science, technology, and mathematical
13.11 occupations in the state, including but not limited to internships, mentoring, and support of
13.12 industry and professional organizations; and

13.13 (3) fund initiatives that support the growth of targeted industry clusters in key sectors
13.14 and the competitiveness of existing qualified research and development companies in
13.15 developing and marketing new products and services.

13.16 (b) All activities under the industrial technology innovation and competitiveness program
13.17 shall require:

13.18 (1) written criteria set by the authority for the application, award, and use of the funds;
13.19 and

13.20 (2) a report by each award recipient providing documentation on the use of the funds
13.21 and outcomes of the award. The report must be submitted to the authority within one calendar
13.22 year from the date of the award.

13.23 Sec. 6. [116W.51] CAPITAL INNOVATIONS PROGRAM.

13.24 (a) The authority may establish a capital innovations program to provide grants to
13.25 maintain and strengthen the state's position as a leader in key sectors of the economic and
13.26 industrial base throughout the state. Grants may be used to construct or improve infrastructure
13.27 for new research, development, and innovation activities at or conducted in partnership with
13.28 public and private institutions. The authority shall give priority to projects that restore,
13.29 develop or construct research, development, and innovation infrastructure throughout the
13.30 state. Preference must be given to projects that include at least a ... percent match of nonstate
13.31 funds.

13.32 (b) All activities under the capital innovations program require:

- 14.1 (1) written criteria set by the authority for the application, award, and use of the funds;
 14.2 (2) matching funds by award recipients;
 14.3 (3) unless otherwise prohibited, up to 15 percent of the funds awarded by the authority
 14.4 may be used for administrative costs; and
 14.5 (4) a report by each award recipient that provides documentation of the use of funds and
 14.6 outcomes of the award. The report must be submitted to the authority within one calendar
 14.7 year of the date of the award.

14.8 **Sec. 7. [116W.52] MINNESOTA SCIENCE, TECHNOLOGY, ENGINEERING,**
 14.9 **MATH, AND MANUFACTURING (STEMM) GRANT PROGRAM.**

- 14.10 (a) The authority may establish a Minnesota science, technology, engineering, math,
 14.11 and manufacturing (STEMM) grant program to provide equipment and supplies to support
 14.12 STEMM education and training programs, including education and training in the
 14.13 technological skills needed for manufacturing jobs, for students in grades 7 through 12 who
 14.14 are enrolled in eligible schools located in Minnesota or receiving STEMM education and
 14.15 training programs or services from nonprofit organizations. For the purposes of this section,
 14.16 "eligible school" means a public school or nonpublic school that is accredited by an
 14.17 accrediting agency recognized according to section 123B.445, or recognized by the
 14.18 commissioner of education. The maximum grant award under this section may not exceed
 14.19 \$100,000 per eligible school. Applicants seeking funding in excess of \$50,000 must
 14.20 demonstrate the availability of nonpublic matching funds provided by an industry partner
 14.21 or foundation.

- 14.22 (b) All activities under paragraph (a) require:

- 14.23 (1) written criteria set by the authority for the application, award, and use of the funds;
 14.24 (2) that no more than 15 percent of the funds awarded by the authority may be used for
 14.25 administrative costs; and
 14.26 (3) a report by the participating school or nonprofit organization that provides
 14.27 documentation of the use of funds and outcomes of the award. The report must be submitted
 14.28 to the authority within one calendar year of the date of the award.

14.29 **Sec. 8. [116W.53] HIGH SCHOOL OPPORTUNITY INTERNSHIP PROGRAM.**

- 14.30 (a) The authority may establish a high school opportunity internship program to provide
 14.31 opportunities for high school age students to observe and experience manufacturing,

15.1 laboratory, and other job environments in key sector industries. The authority must work
15.2 with eligible schools, host companies, and other organizations to implement the program.

15.3 (b) All activities under paragraph (a) require:

15.4 (1) written criteria set by the authority for the application, award, and use of the funds;

15.5 (2) matching funds by the participating eligible school or nonprofit organization;

15.6 (3) that no more than 15 percent of the funds awarded by the authority may be used for
15.7 administrative costs; and

15.8 (4) a report by the participating schools, host companies, or nonprofit organization that
15.9 provides documentation of the use of funds and outcomes of the award. The report must be
15.10 submitted to the authority within one calendar year of the date of the award.

15.11 **Sec. 9. [116W.54] CHALLENGE INTERNSHIP PROGRAM.**

15.12 (a) The authority may establish a grant program to promote science, technology,
15.13 engineering, math, and manufacturing internship opportunities for young adults aged 18 to
15.14 25. The program shall match young adults with paid internships within STEM disciplines
15.15 at companies operating in key sector industries throughout the state. Host companies may
15.16 receive up to 50 percent of wages paid to an intern. The authority must develop an evaluation
15.17 of the internship program that includes information about postinternship employment.

15.18 (b) All activities under paragraph (a) require:

15.19 (1) written criteria set by the authority for the application, award, and use of the funds;

15.20 (2) that no more than 15 percent of the funds awarded by the authority may be used for
15.21 administrative costs; and

15.22 (3) a report by each award recipient that provides documentation of the use of funds and
15.23 outcomes of the award. The report must be submitted to the authority within one calendar
15.24 year of the date of the award.

15.25 **Sec. 10. [116W.55] MINNESOTA RESEARCH AND DEVELOPMENT FUND.**

15.26 (a) A Minnesota research and development fund is created in the state treasury. The
15.27 fund is a direct-appropriated special revenue fund. Money of the authority must be paid to
15.28 the commissioner of management and budget as agent of the authority, and the commissioner
15.29 shall not commingle the money with other money. The money in the fund must be paid out
15.30 only on warrants drawn by the commissioner of management and budget on requisition of
15.31 the executive director of the authority or a designee.

16.1 (b) Funds available to the authority under this section may be expended by the authority
 16.2 for any purpose authorized under this chapter.

16.3 **Sec. 11. [116W.56] MINNESOTA RESEARCH AND DEVELOPMENT**

16.4 **AUTHORITY; POWERS UNDER FUND.**

16.5 Subdivision 1. **General powers.** The authority shall have all of the powers necessary
 16.6 to carry out the purposes and provisions of sections 116W.35 to 116W.58 including but not
 16.7 limited to those provided under section 116W.39 and the following:

16.8 (1) the authority may make awards in the form of grants or loans, and charge and receive
 16.9 a reasonable interest for the loans, or take an equity position in the form of stock, a
 16.10 convertible note, or other securities in consideration of an award. Interests, revenues, or
 16.11 other proceeds received as a result of a transaction authorized by use of the fund shall be
 16.12 deposited to the corpus of the fund and used in the same manner as the corpus of the fund;

16.13 (2) in awarding money from the fund, priority shall be given to proposals from applicants
 16.14 that have demonstrable economic benefit to the state in terms of the formation of a new
 16.15 private sector business entity, the creation of jobs, or the attraction of federal and private
 16.16 funding;

16.17 (3) in awarding money from the fund, priority shall be given to proposals from applicants
 16.18 that:

16.19 (i) promote collaboration between any combination of colleges or universities, nonprofit
 16.20 research institutions, and private industry;

16.21 (ii) enhance existing research superiority by attracting new research entities, research
 16.22 talent, or resources to the state; and

16.23 (iii) create new research superiority that attracts significant researchers and resources
 16.24 from outside the state;

16.25 (4) subject to the limits in this clause, money within the fund may be used for reasonable
 16.26 administrative expenses by the authority including staffing and direct operational expenses,
 16.27 and professional fees for accounting, legal, and other technical services required to carry
 16.28 out the intent of the program and administration of the fund. Administrative expenses may
 16.29 not exceed five percent of the first \$5,000,000 in the fund and two percent of any amount
 16.30 in excess of \$5,000,000;

16.31 (5) before making an award, the authority shall enter into a written agreement with the
 16.32 entity receiving the award that specifies the uses of the award; and

17.1 (6) if the award recipient has not used the award received for the purposes intended, as
17.2 of the date provided in the agreement, the recipient shall repay that amount and any interest
17.3 applicable under the agreement to the authority. All repayments must be deposited to the
17.4 corpus of the fund.

17.5 Subd. 2. **Rules.** The authority may adopt rules to implement the programs authorized
17.6 under this chapter.

17.7 **Sec. 12. [116W.57] REPAYMENT.**

17.8 An entity must repay all or a portion of the amount of any award, grant, loan, or financial
17.9 assistance of any type paid by the authority under sections 116W.40 and 116W.48 to
17.10 116W.54, if the entity relocates outside the state or ceases operation in Minnesota within
17.11 four years from the date the authority provided the financial award. If the entity relocates
17.12 outside of this state or ceases operation in Minnesota within three years of the financial
17.13 award, the entity must repay 100 percent of the award. If the entity relocates or ceases
17.14 operation in Minnesota after a period of three years, but before four years from the date of
17.15 the financial award, the entity must repay 75 percent of the financial award.

17.16 **Sec. 13. [116W.58] EXPIRATION.**

17.17 Sections 116W.46 to 116W.56 expire on the expiration date of the authority under section
17.18 116W.37, subdivision 7. Section 116W.57 expires four years from the date of the expiration
17.19 of the authority. Any unused money in the fund shall be deposited in the general fund.

17.20 **Sec. 14. BOND SALE.**

17.21 To provide the money appropriated in section 16 from the bond proceeds fund, the
17.22 commissioner of management and budget shall sell and issue bonds of the state in an amount
17.23 up to \$500,000,000 in the manner, upon the terms, and with the effect prescribed by
17.24 Minnesota Statutes, sections 16A.631 to 16A.675, and by the Minnesota Constitution, article
17.25 XI, sections 4 to 7.

17.26 **EFFECTIVE DATE.** This section is effective the day following final enactment.

17.27 **Sec. 15. REPORTS TO LEGISLATURE.**

17.28 (a) The Minnesota Research and Development Authority under Minnesota Statutes,
17.29 section 116W.37, must consult with state agencies and other stakeholders in order to create
17.30 a comprehensive inventory of all government, nonprofit, academic, and other programs in
17.31 the state of Minnesota that aim to enhance research and development efforts or

18.1 entrepreneurship. The Minnesota Research and Development Authority shall submit a
18.2 detailed report to the legislature before February 1, 2018, identifying all such programs and
18.3 the gaps in coverage by existing programs, as well as making recommendations for how to
18.4 effectively fill those gaps.

18.5 (b) The University of Minnesota and the Minnesota State Colleges and Universities
18.6 system shall submit a detailed report and proposal to the legislature before February 1, 2018,
18.7 for how unpublished research and development benchmarks, including patent applications,
18.8 patents granted, and engagement in entrepreneurial activities, could be counted toward
18.9 tenure decisions.

18.10 **Sec. 16. BOND APPROPRIATION.**

18.11 Subdivision 1. **Appropriation.** \$500,000,000 is appropriated from the bond proceeds
18.12 fund to the Minnesota Research and Development Authority to make grants to eligible
18.13 public entities under the capital innovations program under Minnesota Statutes, section
18.14 116W.51, to predesign, design, acquire land or an interest in land, construct, reconstruct,
18.15 renovate, furnish, equip, and make other related publicly owned infrastructure improvements.

18.16 Subd. 2. **Schedule.** This appropriation is for \$50,000,000 each year in fiscal years 2018
18.17 through 2027.

18.18 Subd. 3. **Cancellation.** The appropriation under this section is not subject to Minnesota
18.19 Statutes, section 16A.642.

18.20 **EFFECTIVE DATE.** This section is effective the day following final enactment.

18.21 **Sec. 17. APPROPRIATION.**

18.22 \$500,000,000 in fiscal year 2018 is appropriated from the general fund to the
18.23 commissioner of management and budget for deposit into the Minnesota research and
18.24 development fund. Of the money appropriated, \$20,000,000 shall be used to create three
18.25 entrepreneurship incubator laboratories under Minnesota Statutes, section 116W.39, one in
18.26 the metropolitan area and two in greater Minnesota, but only to the extent that a 100 percent
18.27 match from nonpublic sources is provided. Nonpublic matching funds may not be provided
18.28 in exchange for a proprietary interest in a laboratory. This appropriation is available until
18.29 expended.

APPENDIX
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